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FCC 93-238

Before the  
**FEDERAL COMMUNICATIONS COMMISSION**  
Washington, D.C. 20554

In the Matter of )

Amendment of the Part 69 Allocation )  
of General Support Facility Costs )

CC Docket No. 92-222 ✓

**REPORT AND ORDER**

Adopted: May 7, 1993

Released: May 19, 1993

By the Commission:

**I. INTRODUCTION**

1. On October 19, 1992, the Commission released a Notice of Proposed Rulemaking in this proceeding<sup>1</sup> proposing to correct the misallocation of general support facility (GSF) investment and related expenses among the Part 69 cost categories for local exchange carriers (LECs). Specifically, we proposed to modify Section 69.307 of the Commission's rules by deleting the language "excluding Category 1.3."<sup>2</sup> In this Order, based on the virtually unanimous support of commenters, we adopt the proposal presented in the Notice.

**II. BACKGROUND**

2. Section 69.307(b) requires the LECs to apportion GSF investment<sup>3</sup> among Part 69 access categories based on investment in central office equipment, information origination/termination equipment, and cable and wire facilities excluding category 1.3, which is investment in common lines.<sup>4</sup> This rule was adopted in 1987 as part of the proceeding that

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<sup>1</sup> Amendment of the Part 69 Allocation of General Support Facility Costs, Notice of Proposed Rulemaking, CC Docket No. 92-222, 7 FCC Rcd 7369, 7494, ¶¶ 267-69 (1992) (Notice).

<sup>2</sup> 47 C.F.R. Section 69.307.

<sup>3</sup> GSF investment includes such items as land, buildings, computers, motor vehicles, and furniture that support the operations of the carrier.

<sup>4</sup> Category 1.3 is the investment in common lines and is defined in 47 C.F.R. Section 36.154(a).

conformed the Commission's separations rules to its revised uniform system of accounts.<sup>5</sup> The exclusion of common line investment from the formula for allocating GSF investment results in an under-allocation of GSF investment to the common line category and an over-allocation of such investment to other access categories, including special access and switched transport. The misallocated investments are then used elsewhere in the cost allocation process to define how GSF and other expense amounts will be allocated among access categories.<sup>6</sup> This results in additional costs being under-allocated to common line and over-allocated to other access categories.

3. In the special access expanded interconnection proceeding, several parties asserted that Section 69.307 operated to over-allocate costs to the special access category. They urged the Commission to institute a contribution charge for recovery of this subsidy by LECs. The Commission found that the only significant non-cost-based, regulatory support flow affecting special access that warranted a contribution charge was the over-allocation of GSF costs to special access.<sup>7</sup> This misallocation leads to excessively high LEC special access rates, with the potential to undermine the development of competition in the special access market. Instead of establishing a contribution charge, we proposed to amend Section 69.307 to eliminate the misallocation of GSF investment and related expenses.

### III. SUMMARY OF COMMENTS

4. In response to the Notice, twenty-three parties filed comments and sixteen parties filed reply comments.<sup>8</sup> With one exception, all the parties, which include LECs, interexchange carriers (IXCs), competitive access providers (CAPs), and end users, support the Commission's proposal to

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<sup>5</sup> Amendment to Part 69 of the Commission's Rules and Regulations, Access Charges, To Conform It With Part 36, Jurisdictional Separations Procedures, 2 FCC Rcd 6447, 6452 (1987).

<sup>6</sup> See, e.g., 47 C.F.R. Sections 69.309, 69.401(a)(1), 69.401(a)(2), 69.402(b), 69.403, 69.406(a)(1) & (7), 69.408 & 69.411. GSF expenses include those operating costs associated with the GSF investment, such as depreciation, maintenance, and repair.

<sup>7</sup> Expanded Interconnection with Local Telephone Company Facilities, Report and Order, 7 FCC Rcd 7437, ¶¶ 147-49 (1992) (Expanded Interconnection Order), recon., 8 FCC Rcd 127 (1992), pets. for recon. pending, appeal pending sub nom. Bell Atlantic Corp. v. FCC, No. 92-1619 (D.C. Cir., filed Nov. 25, 1992).

<sup>8</sup> The parties filing comments and replies in this proceeding are listed in Appendix B.

modify Section 69.307 of the rules to allocate some GSF investment and related expenses to the common line category.<sup>9</sup>

5. These parties agree with the Commission that the present rule leads to an over-allocation of costs to access categories other than common line, including special access and switched transport. They also agree that the rule change is a step in the right direction and will provide more consistency in the allocation procedures, resulting in more cost-based pricing by the LECs.<sup>10</sup> MFS states that the Commission should adopt the rule change if the Commission determines that the change more closely reflects the operation of market forces in a fully competitive market than does the present rule.<sup>11</sup> Most parties, however, consider this to be an interim measure and urge the Commission to undertake a comprehensive review of the access charge rate structure.<sup>12</sup> Rochester states that such a comprehensive review should be undertaken by the Joint Board.<sup>13</sup>

6. Several parties state that correcting the allocation of GSF will reduce the annual costs assigned to special access and switched transport.<sup>14</sup> Using 1991 data for the LEC industry, USTA estimates cost shifts to the common line category from other access categories as follows: \$275 million from special access; \$492 million from switched transport; \$342

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<sup>9</sup> Ameritech Comments at 2; AT&T Comments at 3; Bell Atlantic Comments at 1; Cincinnati Bell Comments at 2; GSA Comments at 3-4; GTE Comments at 2; GVNW Comments at 1; MCI Comments at 2; MFS Comments at 5; NECA Comments at 2; NYNEX Comments at 2; Pactel Comments at 2; Rochester Comments at 2; SNET Comments at 1; Sprint Comments at 1; JSI Comments at 2; SWBT Comments at 1, 4; Teleport Comments at 2; United Comments at 3; USTA Comments at 1, 2; US West Comments at 2-3; and BellSouth Reply Comments at 3.

<sup>10</sup> AT&T Comments at 4-6; Ameritech Comments at 2-3; GVNW Comments at 2; MCI Comments at 2-3; NECA Comments at 3; Pactel Comments at 2; JSI Comments at 2; USTA Comments at 3; Teleport Comments at 3-4; BellSouth Reply Comments at 1; and NCA Reply Comments at 2.

<sup>11</sup> MFS Comments at 5. On March 23, 1993, MFS filed a petition seeking deferral of any Commission action in this proceeding until the Common Carrier Bureau completes its inquiry into the reasonableness of LEC special access volume and term discounts. Expanded Interconnection Order, 7 FCC Rcd at 7463, ¶ 200. Four LECs have opposed the MFS petition.

<sup>12</sup> Bell Atlantic Comments at 4; BellSouth Comments at 3; Sprint comments at 3; NYNEX Comments at 5; Rochester Comments at 8; Pactel Comments at 5; and USTA Comments at 3, n.9.

<sup>13</sup> Rochester Comments at 4.

<sup>14</sup> AT&T Comments at 3-5; NYNEX Comments at 2; Pactel Comments at 5; Rochester Comments at 2; SNET Comments at 3; US West Comments at 4; and GSA Reply Comments at 9.

million from local switching; and \$5 million from interexchange.<sup>15</sup> Using 1991 ARMIS data for Tier 1 LECs other than the Puerto Rico Telephone Company (PRTC), AT&T estimates that costs will be shifted to the common line category from other access categories as follows: \$223 million from the special access category; \$763 million from traffic sensitive categories; and \$4 million from the interexchange category.<sup>16</sup> AT&T states that this would increase the subscriber line charge (SLC) revenues by only 3.6 percent, and switched access cost by less than 0.2 percent.<sup>17</sup> Bell Atlantic estimates that the increase in total switched access costs will be less than one-half of one percent and that less than five percent of the increase in its SLC revenues will come from residential and single line business SLCs (hereinafter referred to as residential SLCs).<sup>18</sup>

7. No party opposes treating the reallocation of GSF costs as an exogenous cost change under our LEC price cap rules,<sup>19</sup> although MCI supports giving the LECs a waiver of Section 61.45(d) because it believes the Commission's rules on exogenous price cap changes do not encompass such cost reallocations.<sup>20</sup> Price cap LECs argue that rate of return LECs will be able to increase their common line revenue requirement, and that, unless price cap LECs are allowed to treat the cost shifts as exogenous, the rule change will not address the misallocation within the price cap structure.<sup>21</sup> Teleport argues that the Commission should use a uniform "Rate Adjustment Factor" (RAF) to adjust LEC price cap indexes and bands to ensure equitable distribution among the various service categories of the benefits from the cost reallocation resulting from the rule change.<sup>22</sup> MFS argues that because the rates for DS1 and DS3 services have been reduced significantly since

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<sup>15</sup> USTA Comments at Attachment 1, using data from 646 study areas. Company-specific estimates in the record are generally consistent with these relative shifts.

<sup>16</sup> AT&T Comments at 3-4.

<sup>17</sup> Id. at 6. See also Ex parte letter to Donna R. Searcy, Secretary, FCC, from Richard N. Clarke, Regulatory Policy Analysis, Government Affairs, AT&T, filed Dec. 16, 1992.

<sup>18</sup> Bell Atlantic Comments at 3.

<sup>19</sup> Ameritech Comments at 3; Bell Atlantic Comments at 2; BellSouth Comments at 5; NYNEX Comments at 2; Pactel Comments at 3; SWBT Comments at 6; GTE Comments at 2; Rochester Comments at 3; SNET Comments at 3; United Comments at 3-4; and USTA Comments at 3.

<sup>20</sup> MCI Reply Comments at 5-6; accord BellSouth Comments at 5 (supporting a waiver of Section 61.45(d)).

<sup>21</sup> Bell Atlantic Comments at 2; BellSouth Comments at 3; NYNEX Comments at 3; and Pactel Comments at 3.

<sup>22</sup> Teleport Comments at 3-5.

price cap regulation was instituted for the LECs, those services do not recover as much of the GSF over-allocation as do other special access services.<sup>23</sup> MFS therefore proposes requiring uniform adjustments to all special access rate elements except the DS1 and DS3 rate elements, which it proposes should only be adjusted downward by 70 percent of the adjustment for other access categories to reflect the fact that DS1 and DS3 rates have been reduced more than other special access rates.<sup>24</sup> The price cap LECs all oppose any variation from the general policies applying to the implementation of exogenous cost changes under price caps.<sup>25</sup>

8. The DC PSC, the only party opposing the rule change, argues that the rule change would increase the SLC for District of Columbia ratepayers and could have a detrimental impact on universal service within the District. The DC PSC states that the penetration rate in DC fell from 96.1 percent in March 1984 to 90.3 percent in March 1992. The DC PSC argues that further SLC increases will exacerbate the significant decline in the DC telephone penetration rate.<sup>26</sup> In reply, several commenters, including LECs, IXCs, and end users, argue that there is no evidence to show a correlation between telephone penetration and the rise in SLC rates.<sup>27</sup> USTA asserts that the proposed rule change will not frustrate the objective of maintaining universal telephone service. The DC PSC advocates a contribution charge to recover the over-allocation of GSF to special access to support universal service and give competitors in the special access market a level playing

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<sup>23</sup> MFS Comments at 6. MFS says that the Commission stated in the Expanded Interconnection Order that the different special access service categories probably bore a different level of support of GSF costs. 7 FCC Rcd at 7438, ¶ 148.

<sup>24</sup> MFS Reply Comments at 3.

<sup>25</sup> See, e.g., Ameritech Reply Comments at 4; Bell Atlantic Reply Comments at 2; BellSouth Reply Comments at 2; NYNEX Reply Comments at 2; Pactel Reply Comments at 3; SWBT Reply Comments at 5-6; and US West Reply Comments at 4-5.

<sup>26</sup> DC PSC Comments at 3-4.

<sup>27</sup> Bell Atlantic Reply Comments at 2-3; GSA Reply Comments at 5; MFS Reply Comments at 1-2; MCI Reply Comments at 5; NYNEX Reply Comments at 3-4; Pactel Reply Comments at 2; SWBT Reply Comments at 2-3; and United Reply Comments at 2. See also AT&T Comments at 6-7 and AT&T Reply Comments at 4 (stating that the Lifeline Assistance and Link-Up America programs are designed to relieve any effect that SLCs may have on the ability of low income households to afford basic telephone service).

field.<sup>28</sup> No other party supports a contribution charge as the appropriate response to correct the misallocation of GSF investment in Section 69.307.<sup>29</sup>

9. Parties also address the proper means of recovering the costs reallocated to the common line category. Several parties argue that the Commission should consider increasing the cap on SLCs to allow for the recovery of some of the additional costs that will be shifted to the common line category through higher SLCs rather than through an increased carrier common line (OCL) charge,<sup>30</sup> which would increase the potential for bypass of LEC switched access.<sup>31</sup> AT&T states that a small increase in the caps for SLCs would not have an adverse effect on telephone subscribership in the U.S. GSA also agrees it is time for the Commission to revisit the issue of SLC caps. MCI states that it does not take a position as to an increase in the caps for SLCs but believes that the Commission must consider what, if any, changes are needed to accommodate increased allocations to common line, and/or other revenue requirement shifts.<sup>32</sup> MFS argues that the Commission should not address the issue of SLC cap increases within this proceeding.<sup>33</sup> The DC PSC, NTCA, and NRTA are opposed to an increase in the caps for SLCs.<sup>34</sup> NYNEX proposes that the Commission consider a different common line rate for

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<sup>28</sup> DC PSC Comments at 4. DC PSC also recommends that the Commission consider allocating a portion of GSF costs to the LECs' billing and collection services. *Id.* at 5. NYNEX argues that DC PSC's proposal was rejected by the Commission four years ago and that the DC PSC has offered no new reason why the Commission should change its policy now. NYNEX Reply Comments at 4.

<sup>29</sup> GSA Comments at 4-5; Teleport Comments at 2; AT&T Comments at 7; NYNEX Comments at 6; and United Reply at 3. MCI argues that, if the non-cost based GSF allocation is eliminated, the need for a contribution element is also eliminated. MCI Comments at 2. United argues that a contribution charge would be appropriate if the Commission does not treat the cost reallocation as exogenous for price cap LECs. United Comments at 4-5.

<sup>30</sup> SWBT Comments at 8; NYNEX Comments at 4-5; US West Comments at 5, n. 16; GSA Reply at 7; AT&T Reply at 4; GTE Comments at 5; Cincinnati Comments at 4; and AT&T Comments at 6-7.

<sup>31</sup> See, e.g., Bell Atlantic Comments at 3-4; Cincinnati Comments at 4; and NYNEX Comments at 4.

<sup>32</sup> MCI Reply Comments at 4.

<sup>33</sup> MFS Reply Comments at 2, n.2.

<sup>34</sup> DC PSC Comments at 2-4; NTCA Reply Comments at 3, n.7; and NRTA Reply Comments at 1-2.

businesses and residential customers.<sup>35</sup> Other parties suggest the creation of a public policy rate element through which certain costs associated with public policy objectives would be assessed on all market participants.<sup>36</sup>

10. A number of parties urge the Commission to implement the proposed rule change as soon as possible to permit LECs to reflect the changes in their annual access tariff filings in April 1993.<sup>37</sup> In light of the increased access competition accompanying implementation of expanded interconnection, Ameritech argues that a delay of the proposed cost allocation changes would risk subjecting LECs to a confiscatory "taking."<sup>38</sup> MCI responds that Ameritech's contention was addressed by the Commission in the Expanded Interconnection Order and it does not merit further consideration.<sup>39</sup>

#### IV. DISCUSSION

11. We amend Section 69.307(b) as proposed in the Notice.<sup>40</sup> After reviewing the record, we conclude that modification of Section 69.307(b) to correct the allocation of GSF investment will complement and facilitate the achievement of several Commission goals. The revised rule will allocate costs among service categories in a manner that will result in more cost-

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35 NYNEX argues that CAPs currently have pricing advantages that cause the LECs to lose customers because the CAPs are not required to serve higher cost customers and areas. NYNEX argues that, with an increase in the SIC caps, LECs could compete effectively if allowed to charge differentiated rates for low volume residential customers and high volume business customers while continuing to serve all residential customers. NYNEX suggests that the Commission grant a waiver under Section 69.204 permitting a thirty-five cent surcharge on the end user common line charge to achieve this balance. NYNEX Comments at 4-5.

36 See, e.g., Rochester Comments at 4; SWBT Comments at 8-9; and USTA Comments at 7.

37 Ameritech Comments at 3; Cincinnati Comments at 2; GTE Comments at 3; NECA Comments at 2-3; JSI Comments at 2; Bell Atlantic Reply Comments at 1; GSA Reply Comments at 6; and NTCA Reply Comments at 3.

38 Ameritech Comments at 3.

39 MCI Reply Comments at 4. See Expanded Interconnection Order, 7 FCC Rcd at 7477-83.

40 We deny MFS's request that we should hold this proceeding in abeyance until we resolve issues it has raised concerning the appropriateness of LEC special access volume and term discounts. Having found in the Expanded Interconnection Order that a cost misallocation existed in our Part 69 rules, we believe it is important to take action expeditiously to reflect our finding.

based rates for access services. Correcting these misallocations will make access services more efficiently priced, which will stimulate additional usage of the access network by those services whose rates are lowered as a result. As many of the commenters recognize, amending Section 69.307(b) will facilitate the development of a competitive local access market. It will also reduce the possibility that false economic signals will be sent to market entrants. The modified rule permits the rates for special access and switched transport to be brought closer to cost by correcting the misallocation of GSF investment to non-common line categories. This will facilitate the implementation of expanded interconnection for special access, as well as our proposal for expanded interconnection for switched transport.

12. We believe that the costs shifted to the common line category will only negligibly increase the total cost of switched access, and therefore the rates of interstate toll customers. Bell Atlantic estimates the cost of switched access in its region will increase less than one-half of one percent.<sup>41</sup> AT&T's comments indicate that nationwide, total switched access costs would increase by less than 0.2 percent.<sup>42</sup> Approximately three-fourths of the increase in common line costs arises from the shift of costs from the local transport, local switching, and information categories, which are already included in the calculation of the costs of switched access.<sup>43</sup> Only a small share of the costs reallocated from other access categories would be recovered through the CCL charge.

13. The remaining costs shifted to the common line category will be recovered through SLCs,<sup>44</sup> but will have a minimal impact on the multi-line business SLC, and only a negligible effect on the residential SLC. AT&T estimates that the total increase in SLC revenues from the proposed rule change would be only 3.6 percent, a figure undisputed in the record.<sup>45</sup> The SLC costs will be recovered exclusively from the multi-line business SLC, except in three jurisdictions that have residential SLCs below the \$3.50

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<sup>41</sup> Bell Atlantic Comments at 3.

<sup>42</sup> See AT&T Comments at 7; accord USTA Comments at Attachment 1.

<sup>43</sup> See USTA Comments at Attachment 1; AT&T Comments at 7.

<sup>44</sup> Sections 69.501-02 of the Commission's rules, 47 C.F.R. Sections 69.501-02, establish the procedures for splitting the common line costs between the SLC and CCL charges, subject to a cap on the SLC contained in Section 69.204, 47 C.F.R. Section 204. The cap for residential SLCs is the entire interstate common line cost allocation or \$3.50 per line, whichever is lower, and for multi-line business customers is the entire interstate common line cost allocation or \$6.00 per line, whichever is lower.

<sup>45</sup> AT&T Comments at 7.



cap.<sup>46</sup> For Bell Atlantic, increases in residential SLC charges will recover less than 1.5 percent of the increase in common line costs.<sup>47</sup> Therefore, the increased allocation of GSF costs to common line reduces the costs to be recovered through special access rates, which are paid largely by businesses, and increases minimally the amount to be recovered through the multi-line business SLC, which is also paid by businesses. We continue to believe that correcting the misallocation will significantly help the developing competition in interstate access markets, and the concomitant benefits justify the minor increases to interstate toll rates and residential SLCs.

14. The DC PSC argues that the falling telephone penetration rate in the District requires the Commission to forego the proposed rule change. Adopting the proposal in the Notice would, however, only increase the SLC from \$2.43 to \$2.85 per line per month,<sup>48</sup> still the lowest rate in the nation by more than \$0.60. The DC PSC has not shown that this increase in residential SLC rates is likely to threaten universal service in the District of Columbia. Telephone penetration rates for the District have been extremely volatile, with no apparent relationship to any SLC changes.<sup>49</sup> The decline in telephone penetration rates in the District did not begin until after 1988, long after the initial \$2.00 of the residential SLC applicable in the District of Columbia had taken effect.<sup>50</sup> The national trend of increased telephone penetration over the past decade offers strong evidence that the

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<sup>46</sup> The jurisdictions with residential SLCs below \$3.50 are: the District of Columbia at \$2.43 (Bell Atlantic); Illinois at \$3.48 (Ameritech); and Iowa at \$3.33 (US West).

<sup>47</sup> See Ex parte letter to Donna R. Searcy, Secretary, FCC, from Joseph J. Mulieri, Director, FCC Relations, Bell Atlantic, dated Mar. 30, 1993.

<sup>48</sup> See Ex parte letter to Donna R. Searcy, Secretary, FCC, from Joseph J. Mulieri, Director, FCC Relations, Bell Atlantic, dated Mar. 30, 1993.

<sup>49</sup> The data, which are collected three times a year, reflect shifts in penetration rates within a given year that indicate the sensitivity of the results to the sampling process. For example, in 1989 the March penetration rate was 95.1 percent, but the rate dropped to 91 percent in July and rose to 92 percent in November, with an average rate of 92.7 percent. In 1992, 88.7 percent of the households had telephones although 90.5 percent of the households could be contacted by telephone. See Report on "Telephone Subscribership in the U.S." issued by the Industry Analysis Division, Common Carrier Bureau, Federal Communications Commission, Washington, D.C. 20554, released on December 4, 1992, at 15, and Id., released on April 2, 1993, at 13).

<sup>50</sup> The 1984 average penetration rate for the District of Columbia was 94.9 percent, and the 1988 average penetration rate was 94.6 percent. See Report on "Telephone Subscribership in the U.S." issued by Industry Analysis Division, Common Carrier Bureau, Federal Communications Commission, Washington, D.C. 20554, released on December 4, 1992, at 11, 15.

increase in the residential SLC has not caused telephone penetration levels to decline generally, and that it is unlikely to do so in the future.<sup>51</sup> The decline in the District's telephone penetration rate thus appears related to factors other than the SLC.<sup>52</sup> We do not believe that the apparently local conditions of one jurisdiction can justify our failing to correct the misallocation of GSF investment and related costs as proposed in the Notice when the benefits flowing from that change are so significant.

15. As we tentatively concluded in the Notice, a contribution charge would be an inappropriate, unsatisfactory alternative to resolving the problem of misallocated GSF costs. The institution of a contribution charge poses several serious problems. A contribution charge, if applied only to special access, would cure only part of the over-allocation problem and the Commission would be faced with the same issue again in conjunction with implementing its expanded interconnection proposal for switched transport. In addition, imposing a contribution charge would be complex and burdensome. A continued over-allocation of costs to the special access category would depress demand for such services, whether offered by the LEC or an interconnector. We therefore conclude that amending Section 69.307(b) to correct the misallocation of GSF costs will serve the public interest better than implementing a contribution charge.

16. We conclude that it is appropriate to allow price cap LECs to treat as exogenous the reallocation of costs being ordered herein, and therefore to adjust their price cap indexes to reflect that reallocation.<sup>53</sup> The decision to reallocate the GSF costs will cause significant cost shifts among the various access categories that could not be reflected in LEC rates unless exogenous treatment of the changes is permitted. Moreover, the decision to reallocate the GSF costs lies outside the LECs' control and may therefore properly be treated as exogenous under price cap regulation.<sup>54</sup>

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<sup>51</sup> In mid-1985, the national telephone penetration rate stood at 91.8 percent and increased to 93.9 percent in March 1992. See Report on "Telephone Subscribership in the U.S." issued by Industry Analysis Division, Common Carrier Bureau, Federal Communications Commission, Washington, D.C. 20554, released on December 4, 1992, at 12, 18.

<sup>52</sup> The FCC has adopted Lifeline and LinkUp plans to assist low income households.

<sup>53</sup> Several parties have sought reconsideration in the transport proceeding of the use of the September 1, 1992, special access rates for developing initial direct-trunked transport rates. We find that, if the September 1992 rates remain the rates to be used to develop the initial direct-trunked transport rates, LECs should adjust those rates to reflect the exogenous cost change adopted in this order.

<sup>54</sup> We reach this conclusion under Section 61.45(d) of our rules, pursuant to which the Commission may permit or require exogenous cost treatment. LEC tariff filings implementing this cost reallocation shall contain a detailed showing justifying the reasonableness of the reallocation

These changes should be reflected in the tariffs to become effective on July 1, 1993.<sup>55</sup> The short period from the time that expanded interconnection tariffs for special access interconnection are scheduled to become effective and the date the rules adopted here become effective should not skew the overall competitive market for special access to any significant degree or cause parties to suffer any hardship.

17. Section 61.47(e)(1) of our rules requires that bands for service categories within any price cap basket be adjusted relative to any changes in the price cap index for that basket.<sup>56</sup> Thus, because the exogenous cost treatment will cause the price cap indexes for the various baskets to change, the changes to the bands for the various service categories and subcategories within each basket will be adjusted by a percentage amount equal to the percentage adjustment to the price cap index for that basket resulting from the exogenous change. We find that this adequately addresses Teleport's concern that rates be adjusted equitably in light of the competitive circumstances in the access market, without requiring that each rate element itself be adjusted by a fixed percentage amount. We also find it unnecessary to require price cap LECs to reduce their DS1 and DS3 rates by a smaller percentage amount, as proposed by MFS, to reflect that the rates for these services have been significantly reduced since price cap regulation was implemented. If the GSF adjustment had been made before LEC price cap regulation was adopted, LEC prices for DS1 and DS3 services could have declined to the same level as permitted under this order.

18. Some parties to this proceeding have proposed several broader changes. These include proposals to increase the cap on the SLC charges, to shift some GSF costs to the billing and collection category, to create a public policy rate element for certain costs, to establish a rate differential between business and residential OCL charges, and to conduct a comprehensive review of access charges. Because they are clearly beyond the scope of the Notice, which is limited to the misallocation of GSF investment and expenses to non-common line access service categories, we do not consider these proposals in this Order.<sup>57</sup>

## V. PROCEDURAL MATTERS

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amount. Such a showing should reflect the 1992 ARMIS data.

<sup>55</sup> The tariffs implementing the rule modification adopted herein shall be filed on 14 days notice.

<sup>56</sup> 47 C.F.R. Section 61.47(e)(1).

<sup>57</sup> We also correct in Appendix A the inadvertent alterations of Sections 69.4, 69.305, 69.306, and 69.307(a) in Transport Rate Structure and Pricing, CC Docket No. 91-213, 7 FCC Rcd 7006 (1992).

19. In the Notice in this proceeding, we certified that the proposed rule change would apply only to carriers providing interstate access transmission services and that the Regulatory Flexibility Act of 1980 therefore did not apply. Neither the Chief Counsel for Advocacy of the Small Business Administration nor any commenting party challenged our analysis. Carriers providing interstate access services directly subject to the rule amendment adopted herein do not qualify as small businesses since they are dominant in their field of operation. The Secretary shall send a copy of this Report and Order, including the certification, to the Chief Counsel for Advocacy of the Small Business Administration in accordance with paragraph 605(b) of the Regulatory Flexibility Act, Pub. L. No. 96-354, 94 Stat. 1164, 5 U.S.C. Section 601 et. seq.

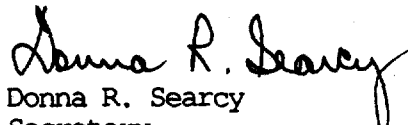
#### VI. ORDERING CLAUSES

20. Accordingly, IT IS ORDERED, that pursuant to the authority contained in Sections 1, 4(i) and (j), 201-205, 218, 220 & 404 of the Communications Act, 47 U.S.C. Sections 151, 154(i) & (j), 201-205, 218, 220 & 404, and Section 553 of the Administrative Procedure Act, 5 U.S.C. Section 553, Section 69.307(b) of the Commission's Rules is AMENDED as set forth in Appendix A hereto.

21. IT IS FURTHER ORDERED, that the rule as amended SHALL BE EFFECTIVE on July 1, 1993.

22. IT IS FURTHER ORDERED, that the petition for deferral filed by MFS IS DENIED to the extent it sought deferral of Commission action in this proceeding.

FEDERAL COMMUNICATIONS COMMISSION

  
Donna R. Searcy  
Secretary

**APPENDIX A**

**AMENDMENTS TO THE CODE OF FEDERAL REGULATIONS**

Part 69 of Title 47, Code of Federal Regulations, is amended as follows:

**Part 69 — ACCESS CHARGES**

1. The authority citation for Part 69 continues to read as follows:

AUTHORITY: Secs. 4, 201, 202, 203, 205, 218, 403, 48 Stat. 1066, 1070, 1072, 1077, 1094, as amended, 47 U.S.C. 154, 201, 202, 203, 205, 218, 403.

2. Section 69.4 is amended by revising paragraph (b)(8) and adding paragraph (b)(9) to read as follows.

§ 69.4 Charges to be filed.

\* \* \* \* \*

(b) \* \* \*

(8) Line information database;

(9) Entrance facilities.

3. Section 69.305 is amended by revising paragraph (b) to read as follows:

§ 69.305 Carrier cable and wire facilities (C&WF).

\* \* \* \* \*

(b) Carrier C&WF, other than WATS access lines, not assigned pursuant to paragraphs (a) or (c) of this section that is used for interexchange services that use switching facilities for origination and termination that are also used for local exchange telephone service shall be apportioned to the Transport elements.

4. Section 69.306 is amended by revising paragraph (c) to read as follows:

§ 69.306 Central office equipment (COE)

\* \* \* \* \*

(c) COE Category 2 (Tandem Switching Equipment) that is deemed to be exchange equipment for purposes of the Modification of Final Judgment in United States v. Western Electric Co. shall be assigned to the tandem switching charge subelement and the interconnection charge element. COE Category 2 which is used to provide transmission facilities between the local

exchange carrier's signalling transfer point and the database shall be assigned to the Line Information Database subelement at § 69.120(a). All other COE Category 2 shall be assigned to the interexchange category.

\* \* \* \* \*

5. Section 69.307 is revised to read as follows:

§ 69.307 General support facilities.

(a) General purpose computer investment used in the provision of the Line Information Database sub-element at Section 69.120(b) shall be assigned to that sub-element.

(b) All other General Support Facilities investments shall be apportioned among the interexchange category, the billing and collection category, and Common Line, Limited Pay Telephone, Local Switching, Information, Transport, and Special Access elements on the basis of Central Office Equipment, Information Origination/Termination Equipment, and Cable and Wire Facilities, combined.

## **APPENDIX B**

### **COMMENTS FILED IN RESPONSE TO NOTICE OF PROPOSED RULEMAKING December 4, 1992**

1. Ameritech Operating Companies (Ameritech)
2. American Telephone and Telegraph Company (AT&T)
3. Bell Atlantic Telephone Companies (Bell Atlantic)
4. BellSouth Telecommunications, Inc. (BellSouth)
5. Cincinnati Bell Telephone (Cincinnati)
6. Public Service Commission of the District of Columbia (DC PSC)
7. General Services Administration (GSA)
8. GTE Service Corporation (GTE)
9. GVNW Inc./Management (GVNW)
10. MCI Telecommunications Corporation (MCI)
11. MFS Communications Company, Inc. (MFS)
12. National Exchange Carrier Association (NECA)
13. NYNEX Telephone Companies (NYNEX)
14. Pacific Bell and Nevada Bell (Pactel)
15. Rochester Telephone Corporation (Rochester)
16. Southern New England Telephone Company (SNET)
17. Sprint Communications Co. (Sprint)
18. John Staurulakis, Inc. (JSI)
19. Southwestern Bell Telephone Company (SWBT)
20. Teleport Communications Group (Teleport)
21. United Telephone Companies (United)
22. United States Telephone Association (USTA)
23. US West Communications, Inc. (US West)

### **REPLY COMMENTS FILED IN RESPONSE TO NOTICE OF PROPOSED RULEMAKING December 21, 1992**

1. Ameritech
2. AT&T
3. Bell Atlantic
4. BellSouth
5. GSA
6. MCI
7. MFS
8. National Rural Telecom Association (NRTA)
9. National Telephone Cooperative Association (NTCA)
10. NYNEX
11. Pactel
12. SWBT
13. United
14. USTA
15. US West
16. WilTel, Inc. (WilTel)